



CENTURY

EMPLOYEES SAVINGS FUND C.U.

February 23, 2010

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria VA 22314-3428

Subj: Response to Proposed Rule for Corporate Credit Unions (12 CFR Part 704)

Dear Ms. Rupp:

Century Employees Savings Fund CU appreciates the opportunity to comment on the proposed changes to NCUA Regulation 704. We are a single sponsor credit union located in Hickory, NC with assets of \$8.7 million. Our field of membership includes CV Industries (comprised of Century Furniture and Valdese Weavers) employees and their immediate families. Our sector (furniture and textiles) has been hit hard during the financial crisis.

As a small credit union, we rely on 1st Carolina Corporate CU to fulfill many of our financial and business needs. We rely on them for our savings and checking accounts, as well as investment opportunities. They serve as the receiving point for our ACH files and wire transfers. They also help us with our Asset Liability Management testing.

Although there are many changes in the regulation that will improve the safety and security of the corporate system, we are concerned that some changes, if not modified, will negate the value that the corporate could offer its members.

704.3 Capital

PCC

The board of directors of a corporate credit union should be able to call PCC on a pro-rata basis without regulatory approval, since the capital belongs to the membership, and the membership has elected the board and given it fiduciary authority.

Non-converted MCSD treatment

The proposed legislation states that non-converted MCSD will no longer qualify as capital after one year. Since these accounts will continue to be classified as a risk-asset to the member credit unions during the three year notice period, they should also be counted as capital during this period of time.

Retained Earnings Ratio Requirements

The proposed regulation states that capital “*cannot be determined solely through mathematical formula, but must be based in part on subjective judgment grounded in agency experience.*” As member credit unions, we are being asked to recapitalize 1st Carolina Corporate CU. How can we be assured that the minimum capital ratios will be achieved if the number is “*subjective*”? NCUA needs to develop methods to insure consistency when measuring capital standards.

704.6 Credit Risk Management

A corporate credit union needs to be able to manage risk in order to achieve adequate earnings to meet capital requirements. The limitations proposed by the regulation for single obligors may force corporates to take on more risk as investments are diversified among lower tiered issuers. Obligor limitations would make managing the corporate balance sheet extremely difficult, especially if the corporate takes a conservative approach to investing. Limits should be increased to 35% of capital to allow for more diversification within sector limits.

It is also recommended that the single issuer concentration limit for overnight deposit transactions be increased to a limit similar to the aggregate repurchase limit for a single counterparty (100-200% of capital) given the low risk associated with the fed funds/overnight market.

704.8 Asset and Liability Management

Limiting the corporate credit union to a 300 basis point spread widening test between assets and liabilities effectively reduces the ability of the corporate to offer competitive products to its membership and still earn a suitable return. The spread widening test should be modified to take into account the credit risk component of the securities held.

704.11 CUSOs

Previously approved corporate CUSOs should be added to NCUA’s approved list of CUSO services for corporate credit unions.

704.14 Representation

Mandatory six year term limits for directors of any corporate board could potentially be disruptive to the board’s effectiveness. Some boards may have a majority of directors who would not be able to seek re-election if this regulation is approved as written. Member credit unions elect the board of directors and should be given the authority to decide appropriate term limits.

We, as a small credit union, would be at a great disadvantage if our corporate were to cease to exist. We all agree that the financial crisis of the past two years can never be repeated. Regulations must address the safety and soundness of all levels of the credit union movement.

Please carefully consider all options so that you will be able to make the decisions that will keep the credit union system safe, secure and viable.

Sincerely,

A handwritten signature in cursive script that reads "Lola Bumbarger". The signature is fluid and elegant, with a large initial "L" and a long, sweeping underline.

Lola Bumbarger
Manager